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REWALD  
BY DAVID GREENWALD  
LOS ANGELES

A former Honolulu businessman held on \$500,000 bail on charges he defrauded investors out of \$22 million claimed his investment firm was a front for the CIA.

Ronald Rewald, 41, was arrested at his Los Angeles home by FBI agents Thursday evening, the day after a 100-count federal grand jury indictment was handed down in Hawaii.

U.S. Magistrate John Kronenberg Friday followed the recommendation of a federal judge in Hawaii in setting Rewald's bail. Rewald volunteered to return to Hawaii to face the charges against him there, said his attorney, Arnold Gross.

Kronenberg ordered Rewald to appear in federal court in Honolulu by Sept. 14. He faces a maximum penalty of 494 years in prison and a \$538,000 fines if convicted on all counts.

The indictment culminated a 13-month federal investigation and accused Rewald and other businessmen in Hawaii with pocketing money invested in his firm, Bishop, Baldwin, Rewald, Dillingham and Wong Inc..

Rewald has insisted his investment firm was created and operated by the CIA. Thomas Hayes, who was appointed by a federal bankruptcy court to take over the firm in August 1983, has said the company was used as a CIA cover and message center for some agents.

Hayes said the CIA connection was smaller than Rewald has described.

Rewald is charged with mail and securities fraud, making false reports to the Federal Deposit Insurance Corporation, perjury, interstate transportation of stolen money and making false statements to a federal officer.

Other charges include attempted tax evasion, failure to maintain books and records as required by the Securities and Exchange Commission, fraud by an investment adviser and filing a false document with the IRS.

Rewald's financial empire began to collapse in July 1983 when state and federal agencies began an investigation of his firm, which was advertised as a long-established international investment company.

Among those who invested in Rewald's firm was Jack Kindschi, former CIA station chief in Hawaii.

Rewald formed Bishop, Baldwin, Rewald, Dillingham and Wong in 1978 with associate Sunlin L.S. "Sunny" Wong. Wong has pleaded guilty to federal criminal charges stemming from the investment firm and has cooperated with authorities.

HONOLULU STAR-BULLETIN (HI)  
31 August 1984ARTICLE APPEARED  
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# Rewald Is Held on 100 Counts

## *Calls Isle Legal Action 'Silly Stuff,' Awaits Rescue from Congress Allies*

By Charles Memminger  
Star-Bulletin Writer

When told that a federal grand jury might be preparing to indict him this week, Ronald R. Rewald said he was not concerned with the "silly stuff" happening in Honolulu.

Rewald, in characteristic fashion, said that his allies in Congress would come to his aid if and when he was indicted.

"I'm prepared to blow the lid off this whole thing," Rewald said in a telephone interview Tuesday.

Today, Rewald is in the custody of U.S. marshals after FBI agents arrested him in Los Angeles yesterday.

The arrest came after the grand jury here returned a 100-count indictment charging the former Hawaii businessman with mail fraud, securities fraud, perjury, failing to keep records, income tax evasion, interstate transportation of stolen securities money and other federal violations.

SOME OF THE perjury charges are the result of sworn statements Rewald made in which he said the CIA was responsible for setting up his company Bishop, Baldwin, Rewald, Dillingham & Wong.

During the past few months, as the U.S. attorney's office was working to build its case and presenting it to the grand jury, Rewald was on the Mainland, drumming up support for his contention that the CIA set up Bishop, Baldwin as a front and used it to funnel money to foreign projects.

Rewald said he had been successful, that if he were indicted, his supporters, including some in Congress he would not name, as well as former FBI agents, would come to his defense.

In the interview, Rewald said he was living in Los Angeles, working for a "communications" company he would not identify.

Told that he might be indicted this week, Rewald said he had been hearing about impending indictments continually since February and that such talk did not surprise him anymore. In fact, he said, he was looking forward to Monday when his family would be together for the first time since his company collapsed more than a year ago.

REWALD CHARGED that U.S. Judge Martin Pence has been pressuring the government to return an indictment against him.

"He's been the judge, jury and executioner," he said.

At 1:55 p.m. Hawaii time yesterday, FBI agents, armed with a warrant signed by Pence, arrested Rewald at his residence at 647 South June St. in Los Angeles.

Rewald is being held in lieu of \$50,000 bail pending a removal hearing today in Los Angeles. If Rewald does not fight extradition, he will be returned to Hawaii as soon as possible to be arraigned, according to John Peyton, assistant U.S. attorney who has been heading the Rewald investigation.

The grand jury returned the massive indictment against Rewald at 1:30 p.m. yesterday, bringing a range of charges against the 41-year-old former investment counselor.

There were few surprises in the indictment. Basically, it formally charges Rewald with offenses that have been alleged by bankruptcy officials and other investigators familiar with Rewald's operation.

IN ESSENCE, the indictment charges that Bishop, Baldwin, Rewald, Dillingham & Wong was nothing more than a shell company Rewald used to bilk \$22 million from about 400 investors.

The indictment specifically charges that Rewald:

✓ Lied when he swore under oath that the CIA had directed the founding of Bishop, Baldwin.

✓ Lied when he said the CIA provided him with fake diplomas from Marquette University and that the CIA directed him to misrepresent that Bishop, Baldwin investments were insured by the Federal Deposit Insurance Corp.

✓ Spent \$5.5 million of investors money for his personal benefit, including \$270,000 for "social and sexual intercourse with women," \$256,000 in connection with polo, \$264,000 for horses, \$719,000 for residences, \$784,000 for ranches, and \$467,000 for cars.

✓ Convinced investors "especially those who were retired or suffering from illnesses or personal tragedy" that they could trust him to handle their financial and legal affairs.

✓ Owes more than \$600,000 in income taxes.

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✓ Used the U.S. mail to send out false information about the company in an effort to attract investors.

✓ Illegally transported more than \$300,000 between Hawaii and the Mainland.

✓ Failed to keep adequate records in accordance with Securities and Exchange Commission rules.

✓ Lied to an IRS investigator during an official inquiry.

As part of his scheme to defraud investors, Rewald allegedly failed to tell investors that:

✓ He had pleaded guilty to a theft charge involving a Wisconsin franchise in 1976.

✓ He was bankrupt in Wisconsin in 1976.

✓ Investors money primarily was used to pay office expenses and for his personal benefit.

✓ Only about \$600,000 of \$22 million actually was invested.

✓ No kamaaina families by names of Bishop, Baldwin or Dillingham were associated with the company.

✓ Despite claims that there was a waiting list for clients, "virtually no person wishing to invest" was refused.

For the first time, information Rewald included in his sealed affidavits was made public, in the indictment, particularly his description of how the CIA allegedly set up Bishop, Baldwin. Those statements are the basis of some of the perjury charges.

ACCORDING TO THE indictment, Rewald lied when he said: "Toward the end of 1978, (CIA Bureau Chief Eugene) Welch suggested that (Bishop, Baldwin president) Sunny Wong and I establish a second firm which would specialize in the Far East and in doing so use names as part of the firm which were synonymous with Hawaii." Some of the names they considered, before settling on Bishop, Baldwin and Dillingham, were Castle, Cooke, and Cassidy.

Rewald also said in his affidavit that Welch told him to claim that the company had a lengthy history and that its gross sales were more than \$1 million. He said Welch told him the CIA would provide him with fake Marquette University degrees.

The indictment charges that all of that and other statements concerning the CIA are false.

U.S. Attorney Dan Bent praised the work of assistant U.S. Attorneys Peyton, Ted Greenberg, David L. Katz and Jeffrey Steness, the FBI and IRS for their "extraordinary efforts" in connection with "this extremely complex and time-consuming investigation."

HE SAID THE 13-month long investigation required interviewing hundreds of witnesses and examining hundreds of thousands of financial records.

Rewald's local civil attorney, Robert Smith, had no comment about the indictment.

Thomas Hayes, administrator of Rewald's bankrupt company, said he had been told by his lawyers not to comment on the indictment.

The indictment caps more than a year of intrigue that began when Rewald tried to kill himself on July 29, 1983.

The suicide attempt came after inquiries were made about the background of the mysterious investment company.

After that, a number of company lawyers and consultants quickly resigned and disassociated themselves from Rewald.

Even Wong, company president and 50 per cent stockholder, resigned. He later pleaded guilty to mail and securities fraud and apparently has been aiding in the government investigation of Rewald.

SHORTLY AFTER the suicide attempt, a group of investors forced the company into bankruptcy. Within hours, the bankruptcy trustee discovered that the company had conducted virtually no investment business and that millions of dollars were missing.

While some investors have continued to press their claims and hold Rewald responsible for

their losses, others have joined Rewald in suing the CIA. Those investors believe that the CIA is responsible for the company and therefore their money.

Rewald also has won support from some of the national news media which focused on his claims that the company was a CIA front. Rewald has been depicted in a British Broadcasting Corp. documentary as a "spy left out in the cold."

Intelligence committees for both the U.S. House and Senate have investigated the CIA links and found no significant ties. The CIA has acknowledged that it used Bishop, Baldwin as a contact point for agents and as a mail drop.

Rewald claims that several agents used Bishop, Baldwin for a cover and that the company was running up to six covert projects.

REWALD ALSO has claimed that he stole secret plans for a Japanese high-speed train for the CIA and was involved in a secret \$10 million arms deal with Taiwan.

31 August 1984

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# Rewald arrested in L.A. after 100-count indictment by U.S.

By James Dooley  
Advertiser Staff Writer

Businessman Ronald Rewald, who for the past year has maintained that his collapsed \$22 million investment firm here was a CIA front, was arrested in Los Angeles yesterday after a Honolulu federal grand jury indicted him on 100 counts of criminal conduct — including fraud, perjury and tax evasion.

The indictment alleged that of \$22 million in investor funds taken in by Rewald's company — Bishop Baldwin Rewald Dillingham and Wong — from 1978 to 1983, only some \$600,000 was actually invested.

Rewald allegedly spent \$5.5 million on himself "to maintain an exceptionally lavish lifestyle," which included the expenditure of \$270,000 "to women who engaged in social and sexual intercourse with the defendant Rewald," the indictment said.

And the grand jury charged that Rewald committed perjury when he filed sworn documents in federal court here stating that his firm was created for, and operated at the direction of, the Central Intelligence Agency.

"At all times the defendant Ronald Rewald intended to deprive investors of their money; and was not acting at the direction of the CIA when he made misrepresentations and omissions of material facts in his dealings with investors and taking their money," the indictment said.

"The CIA never supplied money to the defendant or BBRD&W other than approximately \$3,000 to reimburse Rewald for business expenses such as the rental of a telephone and a telex machine and the printing of business cards," the indictment said.

That conformed with statements made over the past year by Thomas Hayes, appointed by federal bankruptcy court here to take over BBRD&W in August 1983 after Rewald attempted suicide and the company went belly up.

Hayes has consistently said that the CIA used Rewald's firm and related companies to provide commercial cover for one or more CIA agents and as a receiving point for limited CIA telex and phone messages.

Hayes and others have maintained that Rewald established personal relationships and ingratiated himself with several CIA agents and former agents to give an impression of much more extensive CIA involvement than actually existed.

Simultaneous with the return of the indictment here, FBI agents arrested Rewald in Los Angeles. He was being held in lieu of \$50,000 bail last night at Terminal Island federal prison.

A federal court hearing to arrange for Rewald's return to Honolulu was expected to be held today in Los Angeles.

Rewald has been living on the Mainland since May. State Circuit Judge Robert Chang allowed Rewald to seek employment on the Mainland after Rewald's attorney argued that his

client couldn't find work here because of publicity about his legal problems.

He has been free on \$140,000 bail posted after his arrest on the theft charges. A state grand jury is continuing its own investigation into Rewald's activities here and is reportedly preparing a massive criminal indictment of its own.

The federal grand jury investigation of Rewald and his associates is continuing, with additional indictments expected to be returned.

Rewald told The Advertiser in a phone conversation Tuesday night that he expected to be indicted soon by the federal grand jury here. But he continued to maintain that the CIA was behind his business activities here.

"They're operating so much in the dark out there (in Hawaii), they just don't know what's going on," Rewald said.

"This whole thing is going to be handled in Washington," Rewald said.

He said he has been working for a "communications company" in Los Angeles, but said his work did not "involve sales or finance." He said his wife and children were due to join him in Los Angeles next week.

"It will be the first time we'll all be together since things fell apart," Rewald said.

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Yesterday's indictment charged Rewald with offenses that included mail and wire fraud, making false statements to the Securities and Exchange Commission and IRS, perjury, falsely advertising that investment accounts at BBRD&W carried \$150,000 federal insurance, interstate transport of stolen securities or money, and tax evasion.

Rewald came to Hawaii in 1976 from Wisconsin, where he had gone through personal bankruptcy and was convicted of a petty theft offense that year.

He opened an office here of a business consulting firm which he had actually started with another man in Milwaukee.

In 1978, in association with Sunlin L.S. "Sunny" Wong, Rewald established BBRD&W, opening a lavish suite of offices in downtown Honolulu.

Wong has since pleaded guilty to federal criminal charges and has been cooperating in the ongoing investigation.

The "Bishop, Baldwin and Dillingham" names were included in the corporate title "in order to create the false impression that these (prominent Hawaii) families were associated with BBRD&W," the indictment alleged.

The indictment charged the company made numerous misrepresentations to potential investors in soliciting funds from the public.

From 1978 through July 1983, the company took in \$22 million from hundreds of individual investors, most of them in Hawaii and California.

"Only approximately \$623,000 of the approximately \$22 million taken in by BBRD&W was used for investments" that were "speculative" and yielded "virtually no earnings," the in-

dictment said.

The money was used for a variety of other purposes, the indictment said, among them to pay money back to certain investors as "earnings" in order to "give the illusion that investments had been made."

Money was also spent to "create and maintain a false facade of legitimate investment activity" and to "pay others, who together with Rewald engaged in activities which gave the impression of substantial investment activity," the indictment said.

And Rewald spent a total of \$5,578,000 "for his own personal benefit and expenses," the grand jury charged.

Among the expenditures listed were:

- \$270,000 "which he paid to women who engaged in social and sexual intercourse with the defendant Rewald."

Specific examples of payments were not listed. One man familiar with the investigation told The Advertiser that Rewald lavished gifts, dinners and cash on several women in Honolulu, but that most of these relationships appeared to be more social than sexual.

- \$256,000 for polo expenses and another \$264,000 for the purchase and care of a string of horses.

- \$719,000 for the purchase, repair and maintenance of resi-

dences, principal among them a palatial home on Kalaniana'ole Highway near Kuliouou Valley.

- \$467,000 on automobiles.
- \$2,370,000 "for a variety of additional personal expenses."
- \$669,000 for sporting goods companies that Rewald controlled.

He was charged with failing to report \$1.2 million in personal income received from 1979 through 1981, and failure to pay taxes on that income of \$632,000.

U.S. Attorney Daniel Bent said Rewald faces prison time that extends well beyond his natural life, as well as fines exceeding \$500,000.

He said the case was handled by four government attorneys.

The FBI and IRS investigations are believed to have cost the government in excess of \$2 million so far. The agencies tracked virtually every single check that passed through Rewald's corporate and personal bank accounts, a staggering task. Checks which were traced included original checks from investors, to determine if any of those funds came from the CIA.

The FBI employed 14 full-time agents on the case, purchased expensive computer equipment and assigned numerous clerical and secretarial personnel to assist the investigators.

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WASHINGTON POST  
1 September 1984

# Businessman Who Asserted CIA Ties Indicted by U.S. in \$22 Million Fraud

By Howard Kurtz  
Washington Post Staff Writer

A federal grand jury in Hawaii has charged businessman Ronald R. Rewald with defrauding investors of \$22 million in an elaborate pyramid scheme and lying when he said the CIA had helped direct his now-bankrupt business.

In a 100-count indictment issued late Thursday, the grand jury charged Rewald, 41, with mail fraud, securities fraud, tax evasion and perjury. The indictment said he diverted \$5.5 million from more than 400 investors to his personal use, including \$520,000 spent on polo and horses, \$467,000 on luxury cars, \$784,000 on ranches, \$719,000 on various residences and \$270,000 on entertainment.

Theodore Greenberg, an assistant U.S. attorney in Alexandria who is handling the case, said in a telephone interview from Hawaii that Rewald could receive nearly 500 years in prison and \$653,000 in fines if convicted.

Rewald, who was being held on \$50,000 bond in California, was ordered to appear in federal court in Honolulu by Sept. 14.

Rewald received national attention last spring when he sued the Central Intelligence Agency in con-

nection with the bankruptcy of his investment firm, Bishop, Baldwin, Rewald, Dillingham & Wong.

In his suit, Rewald charged that he was "a covert agent of the CIA," that he established the firm at the CIA's direction and that some of its subsidiaries were "used completely and exclusively for CIA covert operations."

A CIA spokesman denied at the time that the agency had any role in running Rewald's company, saying the agency had only "a slight involvement" with the firm.

The indictment charged Rewald with perjury for saying in sworn statements that the CIA had directed the firm's creation and supplied him with phony degrees from Marquette University. According to the indictment, Rewald also lied when he said the CIA had directed him to tell prospective investors that they would receive a 20 percent return on their money and that the deposits would be federally insured.

While Rewald used new investors' money to pay some old ones, the indictment said, many investors lost their money in the firm's bankruptcy last summer.

Bishop, Baldwin invested only \$623,000, according to the indictment, and sources said little money remains to be recovered by invest-

ors who have filed civil suits in the matter.

Rewald, who also has been charged with securities fraud by the Securities and Exchange Commission, contended in his suit that the CIA should be forced to share liability for the bankruptcy.

The Rewald indictment could affect a separate case involving accused spy Richard Craig Smith, who has been charged with revealing the identities of six U.S. double agents to the Soviet KGB for \$11,000.

Smith, a former Army counter-intelligence officer, has contended that he was working for the CIA and that he was given Bishop, Baldwin's phone number in Hawaii to reach his two CIA contacts. Smith has sought to introduce documents relating to Bishop, Baldwin as part of his defense.

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ON PAGE 12WALL STREET JOURNAL  
4 September 1984

## *U.S. Charges Rewald Misused Investor Funds Of Honolulu Concern*

Special to THE WALL STREET JOURNAL

HONOLULU—Ronald R. Rewald, chairman of defunct Bishop, Baldwin, Rewald, Dillingham & Wong Inc., was charged here by a federal grand jury with misusing \$22 million in investor funds prior to the collapse of the investment concern.

The indictment listed 100 counts of criminal conduct, including fraud, perjury and income tax evasion.

As reported, Mr. Rewald contends that his company was a front for the Central Intelligence Agency and that its activities, including the use of investor funds, were directed by the federal agency. The CIA has denied those allegations.

In the indictment filed Thursday, the government repeated the denial but admitted that the CIA paid Mr. Rewald's company about \$3,000 as reimbursement "for business expenses, such as the rental of a telephone and a telex machine and the printing of business cards."

Paul M. Monziona, an attorney representing Mr. Rewald, said he will file discovery motions for access to documents sealed at CIA requests by a federal judge in Honolulu. If the documents aren't unsealed, he said, he will seek to have the charges dismissed. The CIA "lied in the beginning and they're lying now," he said.

Mr. Rewald was taken into custody by federal agents in Los Angeles, where he recently moved while free on bail, pending his trial on earlier state theft charges in Honolulu.